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FISCAL IMPACT REPORT

BILL NUMBER: House Bill 187/ec

SHORT TITLE: Rural Hospital Malpractice Liability Insurance Act

SPONSOR: Johnson

LAST ORIGINAL
UPDATE: _____ **DATE:** 2/17/26 **ANALYST:** Hilla

APPROPRIATION* (dollars in thousands)

FY26	FY27	Recurring or Nonrecurring	Fund Affected
\$66,000.0		Recurring	General Fund

*Amounts reflect most recent analysis of this legislation.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
DOH	At least \$500.0	At least \$500.0	At least \$500.0	At least \$1,500.0	Recurring	General Fund
Total	At least \$500.0	At least \$500.0	At least \$500.0	At least \$1,500.0	Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Relates to House Bill 316

Sources of Information

LFC Files

Agency or Agencies Providing Analysis

Health Care Authority

Office of Superintendent of Insurance

Agency or Agencies That Were Asked for Analysis but did not Respond

Department of Health

SUMMARY

Synopsis of House Bill 187

House Bill 187 (HB187) appropriates \$66 million from the general fund to the rural hospital malpractice liability insurance fund, to be administered by the Department of Health (DOH). DOH shall use the newly created fund to provide grants for rural hospitals to pay for malpractice

liability insurance policy premiums.

DOH is tasked with promulgating rules for the grant application, including eligibility, reporting requirements on the financial stability, staffing levels, and services provided at each of the applying rural hospitals. The department will submit annual reports to the interim Legislative Finance Committee and the Legislative Health and Human Services Committee that includes recipients of the grants and in what amount, an update on the cost of medical malpractice liability insurance for rural hospitals, and the effect that the grant has on the rural hospital's financial stability, health care workforce, and ability to provide access to healthcare.

This bill contains an emergency clause and would become effective immediately on signature by the governor.

FISCAL IMPLICATIONS

The appropriation of \$66 million contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall revert to the Rural Hospital Malpractice Liability Insurance Fund. Although House Bill 187 does not specify future appropriations, establishing a new grant program could create an expectation the program will continue in future fiscal years; therefore, this cost is assumed to be recurring.

This analysis assumes that it will cost DOH least \$500 thousand to carry out the provisions of this bill, which includes estimates for at least four additional positions and funding needed for rule promulgation, making and tracking grants, and funding for reporting requirements to the interim legislative committees. The exact fiscal impact on DOH can be updated following analysis from the department.

SIGNIFICANT ISSUES

As noted by the Office of Superintendent of Insurance (OSI), it has jurisdiction over casualty insurers, which includes medical malpractice insurance. Casualty insurers are required to submit any policies and forms to OSI for review and approval. It is unclear in the bill if DOH's approval of policy is intended to provide for a perfunctory approval of the policy or a process that would be more in depth, which would encroach on OSI's authority. The office adds that HB187 does not address whether a provider who participates in the grant program would also be eligible to participate in OSI's Patient Compensation Fund or be eligible to receive the benefits of the Medical Malpractice Act such as limitations of liability.

The Health Care Authority notes that HB187 may reduce the financial burden of medical malpractice liability insurance, which is often unpredictable for rural and frontier hospitals.

New Mexico continues to face a critical, chronic shortage of health professionals across the disciplines, particularly in rural areas. Thirty-two of 33 New Mexico counties are designated as health professional shortage areas (HPSAs) in primary care, behavioral health, dental health, or a combination of the three. On average, New Mexico needs at least an additional 5,000 healthcare workers to address current shortages. In December 2025, according to the Workforce Solutions Department, 69 percent of online job postings were for health and personal care and 15 percent of those were postings for physicians.

An LFC survey found that 65 percent of New Mexico physicians surveyed are currently considering leaving the state to practice elsewhere. Of New Mexican physicians who are considering leaving the state, 83 percent reported the cause as punitive damages associated with medical malpractice—the most selected option—with 76 percent citing medical malpractice and 51 percent citing quality of life and compensation.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB187 conflicts with House Bill 316, which appropriates \$100 million from the general fund into a new Rural Hospital Malpractice Liability Insurance Trust Fund and creates a separate program fund for the same purposes as HB187.

EH/SEC/dw